GOVERNMENT OF INDIA
FINANCE AND COMPANY AFFAIRS
LOK SABHA

UNSTARRED QUESTION NO:6814
ANSWERED ON:09.05.2003
SPECIAL ECONOMIC ZONES
S. SAIDUZZAMAN

Will the Minister of FINANCE AND COMPANY AFFAIRS be pleased to state:

(a) whether the RBI has allowed foreign banks (OBUs) to set up branches in Special Economic Zones all over the country;

(b) whether Reserve Bank of India has insisted on some conditions for such OBUs to function to SEZs;

(c) if so, the details of such conditions;

(d) the number of such branches presently operating in SEZs alongwith the target set by RBI before June 30th,2003;

(e) whether the SEZ plans of the Government have failed to take off;

(f) if so, the reasons therefor; and

(g) the corrective steps taken in this regard?

Answer

THE MINISTER OF STATE IN THE MINISTRY OF FINANCE AND COMPANY AFFAIRS (SHRI ANANDRAO VITHOBA ADSUL):

(a) to (c) Pursuant to the announcement in the Exim Policy 2002-07 that for the first time Off-shore Banking Units (OBUs) would be permitted to be set up in Special Economic Zones (SEZs), Reserve Bank of India (RBI) has formulated a scheme for setting up of OBUs in SEZs. In terms of the said scheme, banks operating in India viz. public sector, private sector and foreign banks authorised to deal in foreign exchange are eligible to set up OBUs. The banks would be required to obtain prior permission of RBI for opening OBUs in SEZs under section 23(1)(a) of the Banking Regulation Act, 1949. RBI`s conditions stipulate that OBUs would be permitted to deal only in foreign currencies and there would be restrictions on their dealing in Indian Rupee, access to domestic money market etc. the parent bank would be required to provide a minimum of US $ 10 million. All prudential norms applicable to the overseas branches of Indian banks would apply to the OBUs.

(d) RBI has issued `in-principle` approval to State Bank of India, Bank of Baroda, Punjab National Bank, Union Bank of India, Oriental Bank of Commerce and ICICI Bank for setting up of OBUs in different SEZs. So far no foreign bank operating in India has applied for setting up of an OBU in a SEZ.

(e) No, Sir.

(f) and (g) Do not arise.